

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**
(A Component Unit of the Ouachita Parish Police Jury)

**Financial Statements
For the Year Ended December 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date SEP 11 2013

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**
(A Component Unit of the Ouachita Parish Police Jury)

For the Year Ended December 31, 2012

Table of Contents

	Page
Independent Auditors' Report	1
Required Supplemental Information (Part A)	
Management's Discussion and Analysis (MD&A)	4
Basic Financial Statements	
Government-Wide Financial Statements (GWFS)	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements (FFS)	
Balance Sheet – Governmental Fund	13
Reconciliation of the Governmental Fund's Balance Sheet (FFS) to the Statement of Net Position (GWFS)	14
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund	15
Reconciliation of the Governmental Fund's Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities (GWFS)	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund.....	19
Notes to the Financial Statements	20
Required Supplemental Information (Part B)	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual- Governmental Fund-General Fund	34*
Notes to Budgetary Comparison Schedule.....	35
Report Required by <i>Government Auditing Standards</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Summary Status of Prior Year Findings.....	39*

* Denotes Schedule

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of **Hospital Service District No. 1 of Ouachita Parish** (the District), a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregately Discretely Presented Component Unit

As discussed in Note 1B, the financial statements referred to above do not include the Living Well Foundation which is a legally separate component unit of the District. Accounting principles generally accepted in the United States of America require the financial data for the District's legally separate component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit would have been presented as \$48,444,482, \$235,232, \$48,209,250, \$406,940 and \$895,628, respectively.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of the District, as of December 31, 2012, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the 1st paragraph above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District (as described in Note 1B) as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hospital Service District of Ouachita Parish
West Monroe, Louisiana

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 34 through 35 be presented to supplement the basic financial statements. Such Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Steffens, Huffman, Royal, & Squires

(A Professional Accounting Corporation)

June 14, 2013

REQUIRED SUPPLEMENTAL INFORMATION
(PART A)

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2012**

Our discussion and analysis of the Hospital Service District No. 1 of Ouachita Parish (the District), a component unit of the Ouachita Parish Police Jury, provides an overview of the District's activities for the year ended December 31, 2012. Please read it in conjunction with the District's financial statements that begin on page 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements (GWFS), 2) fund financial statements (FFS), and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. This report does not contain the financial activity of the Living Well Foundation, a component unit of Hospital Service District No. 1 of Ouachita Parish, which can be obtained from Deion Hemphill, Finance Committee Chair, at 318-323-7991 or from its website at LivingWellFoundation.net.

Government-wide Financial Statements. The government-wide financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Position (Statement A)* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities (Statement B)* presents the current year's revenues and expenses and other information showing how the District's net position changed during the year. The change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. The District has one governmental fund, the General Fund, and one proprietary fund, the Wellness Center, which is an enterprise fund.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2012**

Governmental Fund

The governmental fund (Statements C, D, E and F) is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet provides a reconciliation to facilitate this comparison between governmental funds and governmental activities

Proprietary Fund

The proprietary fund (Statements G, H and I) encompasses one enterprise fund (which accounts for the financial activities of the Wellness Center) on the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's progress in funding its obligation to promote the general health of the community. Required supplemental information can be found beginning on page 34

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$13,330,000. The District's assets are mostly (76%) composed of cash and investments while another 23% is composed of capital assets. Its main liabilities are composed of accounts payable associated with its ongoing operations of the District, construction in progress at the Wellness Center and a multi-year liability associated with a cooperative endeavor agreement with the Ouachita Parish School Board

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2012**

A summary of the District's net position is as follows:

Summary of Net Position

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 10,544,307	\$ 11,082,134
Capital assets	<u>3,220,785</u>	<u>2,600,174</u>
Total assets	13,765,092	13,682,308
Current liabilities	384,962	303,050
Long-term liabilities	<u>50,000</u>	<u>-</u>
Total liabilities	434,962	303,050
Invested in capital assets	3,220,785	2,600,174
Unrestricted	<u>10,109,345</u>	<u>10,779,084</u>
Total net position	\$ <u>13,330,130</u>	\$ <u>13,379,258</u>

Governmental and Business-Type Activities

The District's net position decreased by \$49,128 during the current fiscal year. Before transfers between governmental activities and business-type activities, governmental activities experienced a \$40,204 decrease and business-type activities experienced a \$8,924 decrease. Governmental activities transferred \$686,990 to business-type activities for construction at the Wellness Center.

A summary of the 2012 governmental and business-type activities as compared to its 2011 activities is as follows:

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

Management's Discussion and Analysis
For The Year Ended December 31, 2012

Summary of Governmental and Business-Type Activities

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues	\$ 1,077,480	\$ 978,423
General revenues		
Interest income	74,858	160,022
Sale of merchandise (net)	9,110	6,413
Other income	17	465
Gain (loss) on sale of assets	(18,884)	(9,297)
Total revenues	1,142,581	1,136,026
Expenses		
General government	(115,062)	(148,786)
Health and welfare	(1,076,647)	(1,095,024)
Total expenses	(1,191,709)	(1,243,810)
Special items		
Transfer from Glenwood Resolution	-	392,885
Transfer to Foundation	-	(2,000,000)
Total special items	-	(1,607,115)
Increase (decrease) in net position	(49,128)	(1,714,899)
Net position at beginning of year	13,379,258	15,094,157
Net position at end of year	<u>\$ 13,330,130</u>	<u>\$ 13,379,258</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the District present its General Fund and its Enterprise Fund. The changes discussed in the section below provide explanations of the funds' activities during the year.

Governmental Fund

The focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. This

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2012**

being said, the District is unique amongst most entities in that its fund balance in its governmental fund essentially equals its net position in its governmental activities which renders further discussion redundant. The only variances are that the governmental fund does not include \$57,000 in real estate that is included in governmental activities and the remaining \$50,000 (of \$500,000) multi-year cooperative endeavor agreement that appears on the Statement of Net position as a liability. However, more detail is given in the governmental fund statements which can be of benefit to the users of these financial statements.

Proprietary Fund

Similar to the discussion in the previous paragraph, the District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

GENERAL BUDGETARY ANALYSIS

General Fund

The District employs formal budgetary integration as a management control device during the year. Budgeted amounts included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual include the original adopted budget amounts and the final amended budget amounts.

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the District must adopt a budget for the General Fund prior to December 31. The original budget for the District was adopted in November of 2011, and the final budget amendment was adopted in the latter part of 2012

Revenues: Revenues for the General Fund were projected to remain the same during 2012 as the previous year

Expenditures: General governmental expenditures were originally projected to decrease by \$50,000 over 2011 expenditures excluding the \$2,000,000 disbursement to the Living Well Foundation in 2011. Transfers from the General Fund to the Enterprise Fund were budgeted to remain the same as 2011's transfers.

CAPITAL ASSETS

At December 31, 2012, the District's capital assets were substantially composed of those within the Wellness Center which was built in 1991. As shown in the notes to the financial statements, depreciable assets consisting of the building and equipment have a carrying value of \$1,473,687 (\$4,060,217 in cost less \$2,586,530 in accumulated depreciation), and nondepreciable assets (land and construction in progress) with a carrying value of \$1,690,094. Another \$57,000 in land is reflected in governmental activities. Construction in progress is comprised of an

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH
(A Component Unit of the Ouachita Parish Police Jury)**

**Management's Discussion and Analysis
For The Year Ended December 31, 2012**

expansion of the Wellness Center expected to be completed in 2013. At December 31, 2012, the District's outstanding obligation on this project was approximately \$1.6 million.

ECONOMIC FACTORS AND FUTURE OUTLOOK

In the short-term, the District will continue to use the earnings from its holdings to support the Wellness Center so that it will continue to provide its members with a quality facility for improving and maintaining a healthy lifestyle. Additionally, the District will continue to look for ways to make the Wellness Center self-sufficient with respect to its financial operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to show its accountability for the money it expends. If you have questions about this report or need additional financial information, contact Mr. Mike Mulhearn, Treasurer of the District, at 3215 Cypress Street, West Monroe, Louisiana 71291 or call him at 318-329-9100.

BASIC FINANCIAL STATEMENTS

Statement A

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Statement of Net Position

December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 935,902	\$ 184,644	\$ 1,120,546
Investments	9,362,459	-	9,362,459
Receivables (net)	39,091	5,023	44,114
Internal balances	(1,313)	1,313	-
Prepaid expenses	2,667	12,818	15,485
Other assets	-	1,703	1,703
Capital assets, net	57,000	3,163,785	3,220,785
Total assets	10,395,806	3,369,286	13,765,092
Liabilities			
Accounts payable and accrued expenses	243,388	62,503	305,891
Cooperative endeavor payable			
Current portion	-	-	-
Long-term portion	50,000	-	50,000
Deferred revenues	-	65,920	65,920
Payroll and taxes payable	-	13,151	13,151
Total liabilities	293,388	141,574	434,962
Net position			
Invested in capital assets	57,000	3,163,785	3,220,785
Unrestricted	10,045,418	63,927	10,109,345
Total net position	\$ 10,102,418	\$ 3,227,712	\$ 13,330,130

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Statement of Activities

For the Year Ended December 31, 2012

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-Type Activities	Total
Primary government					
Governmental activities					
General government	\$ 115,062	\$ -	\$ (115,062)	\$ -	\$ (115,062)
Total governmental activities	115,062	-	(115,062)	-	(115,062)
Business-type activities					
Health and welfare	1,076,647	1,077,480	-	833	833
Total business-type activities	1,076,647	1,077,480	-	833	833
Total primary government	\$ 1,191,709	\$ 1,077,480	(115,062)	833	(114,229)
General revenues					
Use of money and property (including unrealized gains and losses)			74,858	-	74,858
Sale of merchandise (net)			-	9,110	9,110
Other income			-	17	17
Transfers			(686,990)	686,990	-
Gain (loss) on sale of assets			-	(18,884)	(18,884)
Total general revenues			(612,132)	677,233	65,101
Total general revenues and special items			(612,132)	677,233	65,101
Change in net position			(727,194)	678,066	(49,128)
Net position at beginning of year			10,829,612	2,549,646	13,379,258
Net position at end of year			\$ 10,102,418	\$ 3,227,712	\$ 13,330,130

The accompanying notes are an integral part of this statement

Statement C

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

**Governmental Fund - General Fund
Balance Sheet**

December 31, 2012

Assets		
Cash	\$	935,902
Investments		9,362,459
Receivables		39,091
Prepaid expenses		2,667
Total assets	\$	<u>10,340,119</u>
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$	243,388
Due to other funds		<u>1,313</u>
Total liabilities		244,701
 Fund balance		
Nonspendable - prepaid expenses		2,667
Unassigned		<u>10,092,751</u>
Total fund balance		<u>10,095,418</u>
Total liabilities and fund balance	\$	<u>10,340,119</u>

The accompanying notes are an integral part of this statement

Statement D

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

**Reconciliation of the Governmental Fund's
Balance Sheet to the Statement of Net Position**

December 31, 2012

Fund balance - total governmental fund	\$ 10,095,418
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The cost of capital assets (land) is reported as an expenditure in the Governmental Fund. The Statement of Net Position includes the land as an asset among the assets of the District.

Capital asset	
Land	57,000

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the Governmental Fund.

Long-term liability	
Cooperative Endeavor Agreement-Ouachita Parish School Board	<u>(50,000)</u>

Net position of governmental activities	\$ <u><u>10,102,418</u></u>
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Statement E

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Governmental Fund - General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended December 31, 2012

Revenues	
Use of money and property (including unrealized gains and losses)	\$ 74,858
Total revenues	<u>74,858</u>
Expenditures	
General government	
Advertising and promotion	1,579
Bank fees	20,755
Computer expenses	212
Cooperative endeavor	150,000
Insurance	16,704
Office expenses	2,083
Other expenses	2,630
Professional fees-accounting and auditing	9,870
Professional fees-legal	43,402
Professional fees-other	1,986
Salaries and benefits	15,755
Travel	86
Total general government	<u>265,062</u>
Excess (deficiency) of revenues over expenditures	(190,204)
Other financing sources / (uses)	
Transfers to enterprise fund	<u>(686,990)</u>
Total other financing sources / (uses)	<u>(686,990)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(877,194)
Fund balance at beginning of year	<u>10,972,612</u>
Fund balance at end of year	\$ <u><u>10,095,418</u></u>

The accompanying notes are an integral part of this statement

Statement F

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

**Reconciliation of the Governmental Fund's
Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities**

For the Year Ended December 31, 2012

Net change in fund balance - governmental fund	\$ (877,194)
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Amounts reported for governmental activities that are not financial
resources and, therefore, are not reported in the Governmental Fund

Portion of multi-year cooperative endeavor paid within the current period.	<u>150,000</u>
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Change in net position of governmental activities	\$ <u><u>(727,194)</u></u>
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Statement G

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Proprietary Fund
Statement of Net Position

December 31, 2012

	Business-type Activities
	Enterprise Fund
	Wellness Center
Assets	
Current assets	
Cash	\$ 184,644
Accounts receivable	5,023
Due from General Fund	1,313
Prepaid expenses	12,818
Other assets	1,703
Total current assets	205,501
Capital assets	
Buildings and improvements	2,971,173
Land improvements	633,792
Fitness equipment	350,282
Office equipment	104,970
Total capital assets	4,060,217
Accumulated depreciation	(2,586,530)
Net depreciable capital assets	1,473,687
Land	980,254
Construction in progress	709,844
Net capital assets	3,163,785
Total assets	3,369,286
Liabilities	
Current liabilities	
Accounts payable	62,503
Unearned income	65,920
Payroll and taxes payable	13,151
Total liabilities	141,574
Net Position	
Invested in capital assets	3,163,785
Unrestricted	63,927
Total net position	\$ 3,227,712

The accompanying notes are an integral part of this statement

Statement H

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2012

		Business-type Activities Enterprise Fund Wellness Center
Operating revenues		
Charges for services		\$ 1,077,480
Merchandise sales	\$ 25,616	
Merchandise purchases	(16,506)	9,110
Other income		17
Total operating revenues		<u>1,086,607</u>
Operating expenses		
Administrative expenses		1,688
Advertising and promotion		17,303
Bad debt expense		4,377
Bank fees		11,422
Coffee service		3,147
Computer		9,378
Depreciation		192,986
Dues and subscriptions		15,241
Equipment		2,250
Grounds maintenance		12,125
Housekeeping		90,254
Insurance expense		41,358
Licenses		2,071
Office expenses		12,291
Other expenses		10,851
Postage and freight		987
Professional fees-accounting		28,370
Salaries and benefits		544,593
Security		877
Telephone		7,561
Television		976
Travel and mileage		5,566
Utilities		60,975
Total operating expenses		<u>1,076,647</u>
Operating income (loss)		9,960
Other financing sources / (uses)		
Gain (loss) on sale of assets		(18,884)
Transfers from General Fund		686,990
Total other finances sources (uses)		<u>668,106</u>
Net income (loss)		678,066
Net position beginning of year		2,549,646
Net position end of year		<u>\$ 3,227,712</u>

The accompanying notes are an integral part of this statement

Statement I

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Proprietary Fund
Statement of Cash Flows

For the Year Ended December 31, 2012

	Business-type activities
	Enterprise Fund
	Wellness Center
Cash flows from operating activities	
Receipts from memberships	\$ 1,071,737
Net receipts from sale of merchandise	10,813
Payments to employees	(542,125)
Payments to suppliers for goods and services	(297,651)
Net cash provided (used) by operating activities	<u>242,774</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(833,402)
Transfer from general fund	686,990
Net cash provided (used) by financing activities	<u>(146,412)</u>
Net increase (decrease) in cash	96,362
Cash at beginning of year	88,282
Cash at end of year	<u><u>\$ 184,644</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Operating income (loss)	\$ 9,960
Adjustments to reconcile operating loss to net cash provided	
by operating activities	
Depreciation	192,986
Change in assets and liabilities	
Receivables	1,519
Prepaid expenses	(2,076)
Accounts payable	40,924
Due from other funds	29
Accrued payroll expenses	2,497
Unearned income	(3,065)
Net cash provided (used) by operating activities	<u><u>\$ 242,774</u></u>
Cash shown on statement of net position	<u><u>\$ 184,644</u></u>
Supplemental disclosures	
Non-cash operating activities	
Membership income	\$ 4,197
Advertising	\$ (4,197)
Bad debt expense	\$ 4,377

The accompanying notes are an integral part of this statement

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Notes to the Financial Statements
For the Year Ended December 31, 2012

Overview

Hospital Service District No. 1 of Ouachita Parish, Louisiana, (the District) (a component unit of the Ouachita Parish Police Jury) is a body corporate and political subdivision of the State of Louisiana which was formed on July 18, 1951, by Ordinance No. 7006 of the Ouachita Parish Police Jury (the Police Jury), as provided by Revised Statutes 46:1051-1067. The boundaries of the District comprise all of the territory within Ward No. 5 of Ouachita Parish as it stood in 1951. The District is governed by a Board of Commissioners consisting of five members who are appointed by the Ouachita Parish Police Jury.

On January 31, 2007, the District sold a hospital and associated real estate it owned to a national hospital chain. Substantially all of the net proceeds were transferred to a new nonprofit foundation, Ward Five Healthcare Foundation, which legally changed its name in 2010 to the Living Well Foundation (the Foundation). Not included in the sale was a wellness center and real estate located nearby. Since the sale, the District has owned and operated the Wellness Center, has overseen the operation of the Foundation, and has overseen the winding-up process of the nonprofit corporation, Glenwood Resolution Authority, Inc. (GRA) which formerly operated the hospital and wellness center.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (GASB) standards. The District has elected not to apply FASB pronouncements issued after the applicable date.

B. Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14, *The Financial Reporting Entity*, establishes criteria for determining which component units of governments should be considered part of a primary government (the District) for financial reporting purposes.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Notes to the Financial Statements
For the Year Ended December 31, 2012

The basic criterion for determining a component unit is accountability. As the Police Jury appoints all of the commissioners of the District, the District is considered a component unit of the Police Jury, the reporting entity of the parish. Considered in the determination of component units of the District is the Living Well Foundation (the Foundation). The Foundation was created on August 17, 2006. The District is the sole member of the Foundation and therefore the Foundation is a component unit of the District. For the reporting entity of the District's financial statements to be complete, the Foundation would have to be included in with the District. However the Foundation is not included in the accompanying financial statements. The District's financial statements are not intended to and do not report on the reporting entity of the District but rather are intended to reflect only the financial statements of the primary government of Hospital Service District No. 1 of Ouachita Parish. The Foundation issues separate financial statements from the District which can be obtained from Deion Hemphill, Financial Committee Chair, at 318-322-5156.

The accompanying basic financial statements present information only on the two funds maintained by the District and do not present information on the Police Jury.

C. Fund Accounting

The financial transactions of the District are organized and operated on the basis of funds. The operations of each fund are accounted for with a set of self-balancing accounts that includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District uses the following fund types (governmental and proprietary) and funds (General Fund and Enterprise Fund).

Governmental Fund

Governmental funds account for general governmental activities including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues, and expenditures/expenses. Major funds are larger, more significant funds. Nonmajor funds are the Governmental Funds that do not meet the dollar tests for major funds. The District has one governmental fund and it is as follows.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Notes to the Financial Statements For the Year Ended December 31, 2012

General Fund – The General Fund is the general operating fund of the District. It accounts for all of financial resources except those required to be accounted for in another fund and is always a major fund

Proprietary Fund

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of fund equity, is an important financial indicator.

Enterprise Fund – The Enterprise Fund accounts for the operations (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in the government-wide financial statements and the major funds section of the fund financial statements. The Wellness Center is the District's only enterprise fund and it is a major fund.

D. Basis of Accounting / Measurement Focus

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government of the District as a whole. These statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions are recognized when the District has an enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Notes to the Financial Statements For the Year Ended December 31, 2012

General Revenues

General revenues included in the Statement of Activities are derived from other sources not considered program revenues. General revenues finance the remaining balance of functions not covered by program revenues.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Interest income on time deposits is recorded when the time deposits have matured and the interest is available. Interest income on interest bearing demand deposits is recorded at the end of each month when credited by the bank. Interest income on investments is recorded periodically as the instruments mature.

Substantially all other revenues are recorded when they become available to the District.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Transfers between funds not expected to be repaid and sale of assets are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying event occurs.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

E. Budgetary Practices

A proposed budget for the ensuing year, prepared on the modified accrual basis of accounting, is prepared annually by the Board of Commissioners. This budget is based on past expenditures and modified for planned activities in the upcoming year.

Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget are then advertised in the official journal of the District. Prior to or as a part of the selected December meeting, the District conducts a public hearing on the proposed budget in order to receive comments from the citizenry.

Changes are made to the proposed budget based on the public hearing and the desires of the District as a whole. The budget is then adopted during the District's selected December meeting, and a notice certifying completion of the required budgetary actions is published in the official journal of the parish.

During the year, the commissioners receive monthly budget comparison statements that are used as a tool to control District operations.

F. Cash

Cash includes amounts in demand deposits, interest-bearing demand deposits, and certificates of deposits. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under the laws of the United States.

For financial statement purposes, the District considers cash in its checking account to be the only cash item.

G. Investments

Under state law, the District may invest in United States Treasury obligations, United States Government instrumentalities, and other allowable short-term obligations, including repurchase agreements and certificates of deposit. In accordance with the provisions of GASB Statement 31, investments are carried at fair market value or amortized cost.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items

I. Capital Assets

Capital Assets, which include land, buildings and improvements, furniture, and fixtures and equipment, are reported in the governmental or business-type activities columns in the governmental-wide financial statements.

The District considers assets with an initial individual cost of \$500 or more and an estimated life of 1 year or more as a capital asset. Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following useful lives:

<u>Number of Years</u>	<u>Asset</u>
3 to 5	Computer equipment
5	Furniture and fixtures
5 to 15	Fitness equipment
40	Buildings

J. Cooperative Endeavor Agreements

The District may enter into cooperative endeavors to enhance the quality of life of all residents within certain northeastern Louisiana parishes. When such endeavors are approved by the Board, they are recorded as a payable at that time and are disbursed according to the terms of the agreements at a certain point in the future.

K. Compensated Absences

All full-time employees earn vacation at rates varying from 5 to 15 days each year depending upon length of service with the District. Employees can not carry forward accrued annual leave from year to year.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

All full-time employees earn sick leave after one year of service and can use up to 10 days of sick leave per year. Employees can not carry forward sick leave from year to year.

L. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt "

In the fund financial statements, governmental fund equity is classified as fund balance. The District adopted GASB Statement 54 for the year ended June 30, 2011. As such, fund balances of the governmental funds are classified as follows:

Nonspendable - represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - represents balances where constraints have been established by parties outside the District's office or imposed by law through constitutional provisions or enabling legislation.

Committed - represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority.

Assigned - represents balances that are constrained by the government's intent to be used for specific purposes, but are not restricted nor committed

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

Unassigned - represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the District reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned and unassigned amounts are available, the District reduces committed amounts first, followed by assigned amounts and then unassigned amounts

M. Bad Debts

The District uses the direct write-off method for recognizing bad debts. Under this method, the receivable is charged to bad debt expense when the account is deemed to be uncollectible.

N. Interfund Transactions

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide Financial Statements

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 2 - Cash

Custodial credit risk – deposits. The custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy to ensure there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand.

At December 31, 2012, the District had a reconciled cash balance of \$1,120,546, with a bank balance of \$1,138,396, all of which is covered by federal deposit insurance. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 3 - Investments

At December 31, 2012, the District's investments of \$9,362,459 consist of the following securities and are carried at fair value:

Investment Type	Fair Value	% of Total
U.S. Treasury Notes	\$ 6,629,540	70.8%
Federal National Mortgage Association	1,893,156	20.2%
Federal Home Loan Mortgage Corporation	811,646	8.7%
JP Morgan Prime Money Market Fund	28,117	0.3%
Total	<u>\$ 9,362,459</u>	<u>100.0%</u>

Investments are in accordance with LRS 33:2955 (A)(1)(e) and are not required to be covered by the pledge of securities owned by the fiscal agent bank.

Credit risk – The District minimizes credit risk, which is the risk due to the failure of the security issuer or backer by limiting investments to certain investments primarily limited to:

- a. direct United States Treasury obligations,
- b. bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, provided such obligations are backed by the full faith and

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

- credit of the United States of America or such other instruments that are federally sponsored;
- c. direct security repurchase agreements of any federal book entry only securities enumerated in paragraphs in (a) or (b) above,
 - d. time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit;
 - e. mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investment of funds in such mutual or trust fund institutions shall be limited to 25% of the monies considered available for investment;
 - f. investment grade (A-1/P-1) commercial paper of domestic United States corporations.

Concentration of credit risk – The investments shall be diversified by:

- a. Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U S. Treasury securities);
- b. Limiting investment in securities that have higher credit risks;
- c. Investing in securities with varying maturities,
- d. Continuously investing a portion of the portfolio in readily available funds such as money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

Interest rate risk – The District manages its interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by:

- a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity;
- b. Investing primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 4 - Receivables

Accounts receivable of \$44,114 at December 31, 2012, are comprised of the following

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accrued Interest	\$ 39,091	\$ -	\$ 39,091
Accounts Receivable	<u>-</u>	<u>5,023</u>	<u>5,023</u>
Totals	<u>\$ 39,091</u>	<u>\$ 5,023</u>	<u>\$ 44,114</u>

All of the General Fund's \$39,091 receivable is classified as current. The Enterprise Fund's aging of receivables is as follows: \$3,216, current, \$690 is 31 to 60 days; \$577 is 61 to 90 days and \$640 is over 90 days.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2012 is as follows

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2012</u>
Governmental activities				
Capital assets				
Land	\$ 57,000	\$ -	\$ -	\$ 57,000
Total governmental activities capital assets	<u>\$ 57,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,000</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 980,254	\$ -	\$ -	\$ 980,254
Construction in progress	-	709,844	-	709,844
Total capital assets not being depreciated	980,254	709,844	-	1,690,098
Capital assets being depreciated				
Buildings and improvements	2,900,684	100,839	30,350	2,971,173
Land improvements	631,108	2,685	-	633,793
Fitness equipment	337,828	12,454	-	350,282
Office equipment	98,309	6,661	-	104,970
Total capital assets being depreciated	3,967,929	122,639	30,350	4,060,218
Less accumulated depreciation				
Buildings and improvements	1,698,505	104,866	11,465	1,791,906
Land improvements	468,491	21,429	-	489,920
Fitness equipment	178,901	50,514	-	229,415
Office equipment	59,112	16,177	-	75,289
Total accumulated depreciation	2,405,009	192,986	11,465	2,586,530
Total capital assets being depreciated, net	<u>1,562,920</u>	<u>(70,347)</u>	<u>18,885</u>	<u>1,473,688</u>
Total business-type activities capital assets, net	<u>\$ 2,543,174</u>	<u>\$ 639,497</u>	<u>\$ 18,885</u>	<u>\$ 3,163,786</u>

Construction in progress is comprised of an expansion of the Wellness Center expected to be completed in 2013. At December 31, 2012, the District's outstanding obligation on this project was approximately \$1.6 million.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 6 - Living Well Foundation

The District requires a \$30,000 reimbursement from the Foundation for certain expenses of the District, in accordance with the terms of the Cooperative Endeavor Agreement but voted to waive this requirement for 2012

Note 7 - Cooperative Endeavor Agreement-Ouachita Parish School Board

In 2010, the District entered into a \$500,000 multi-year cooperative endeavor agreement with the Ouachita Parish School Board (the School Board). In consideration of the payments to the School Board, the School Board agrees to conducting a four-year program to ensure and enhance the School Board's provision of at least thirty minutes of structured physical activity and/or health instruction each school day to students who attend the elementary schools and to encourage maximum participation by such students in such activity and instruction.

The first \$100,000 was paid in 2010, \$200,000 was paid in 2011 and \$150,000 was paid in 2012. The remaining payment to be disbursed is \$50,000 in 2014.

Note 8 - Board Compensation

For the year ended December 31, 2012, there was no compensation paid to members of the Board of Commissioners.

Note 9 - Interfund Transactions

At December 31, 2012, the General Fund owed the Proprietary Fund \$1,313 for payroll liabilities which will be reimbursed after year-end.

The General Fund transferred \$686,990 to the Proprietary Fund for construction costs related to the expansion of the Wellness Center.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH**Governmental Fund - General Fund****Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual****For the Year Ended December 31, 2012****(unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance at beginning of year	\$ 11,029,738	\$ 10,629,612	\$ 10,972,612	\$ 343,000
Resources				
Use of money and property	230,000	51,602	74,825	23,223
Other income	-	33	33	-
Amounts available for appropriations	<u>11,259,738</u>	<u>10,681,247</u>	<u>11,047,470</u>	<u>366,223</u>
Charges to appropriations				
General government	325,000	269,344	265,062	4,282
Other financing sources (uses)				
Transfers out	<u>160,000</u>	<u>1,189,564</u>	<u>686,990</u>	<u>502,574</u>
Budgetary fund balance at end of year	<u>\$ 10,774,738</u>	<u>\$ 9,222,339</u>	<u>\$ 10,095,418</u>	<u>\$ 873,079</u>

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

Notes to Budgetary Comparison Schedule For the Year Ended December 31, 2012

Budgetary Policies: A proposed budget for the ensuing year, prepared on the modified accrual basis of accounting, is prepared annually by the Board of Commissioners. This budget is prepared for planned activities in the upcoming year

Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget are then advertised in the official journal of the District. Prior to or as a part of the selected December meeting, the District conducts a public hearing on the proposed budget(s) in order to receive comments from the citizenry.

Changes are made to the proposed budget based on the public hearing and the desires of the District as a whole. The budget is then adopted during the District's selected December meeting, and a notice certifying completion of the required budgetary actions is published in the official journal of the parish.

During the year, the commissioners receive monthly financial statements that are used as a tool to control District operations.

State law requires the District to amend its budgets when revenues plus projected revenues within a fund are expected to fall short of budgeted revenues by five percent or more and when expenditures and other uses of a fund are expected to exceed budgeted amounts by five percent or more.

REPORT REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners

Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the **Hospital Service District No. 1 of Ouachita Parish** (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 14, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit of the District (Living Well Foundation) due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America as more fully described in our Independent Auditors' Report as presented on pages 1, 2 and 3. We issued an unmodified opinion on the governmental activities, the business-type activities and each major fund of the District's primary government.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated June 14, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management of the District, federal awarding agencies and pass-through entities, and other entities granting funds to the District and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Luffey Huffman Reynolds & Seigrist

(A Professional Accounting Corporation)

June 14, 2013

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Summary Status of Prior Year Findings
For the Year Ended December 31, 2012

The following is a summary of the status of findings included in Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated May 18, 2012.

11-01 Internal Controls - Accounting

(First Reported in 2010)

Finding

Weaknesses in internal control existed during 2011 such that the operations of controls did not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct material misstatements on a timely basis.

Status

The internal control weaknesses identified in the 2011 audit were reviewed. The internal controls were strengthened in 2012 to address all items with the exception of invoice approvals which is being addressed in 2013.

11-02 Internal Controls - Personnel

(First Reported in 2010)

Finding

We noted discrepancies in the management of personnel records and payroll procedures.

Status

The discrepancies in the management of personnel records and payroll procedures identified in the 2011 audit were reviewed. Procedures were put in place in 2012 to ensure that management of personnel records and payroll procedures agree.

11-03 Donation of Public Funds

Finding

Article VII, Section 14 of the Louisiana Constitution of 1974 states that "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private." Instances of noncompliance include allowing delinquent members to continue using the facility beyond the period for which they had paid and providing compensation to employees in excess of payroll.

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

Summary Status of Prior Year Findings
For the Year Ended December 31, 2012

Status

Personnel were educated and will receive ongoing education about laws concerning donation of public funds. Management strengthened controls in 2012 to address all items identified.

11-04 Local Government Budget Act

Finding

The District failed to revise its budget when budgeted resources failed to meet actual by more than five percent (LA R.S.39:1311).

Status

Management will continue to amend the budget as necessary to comply with the state statute.

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andres, CPA
Esther Atteberry, CPA
Lon Woodard, MBA, CPA

MANAGEMENT LETTER

**Board of Commissioners
Hospital Service District No. 1 of Ouachita Parish
West Monroe, Louisiana**

In planning and performing our audit of the financial statements of the Hospital Service District No. 1 of Ouachita Parish (the District) for the year ended December 31, 2012, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated June 14, 2013 on the financial statements of the District.

Documentation of Invoice Approval

Finding:

Management of the District is charged with establishing and maintaining internal control and to assess internal control for effectiveness in design and operation. Effective internal control includes having all invoices reviewed and approved prior to payment. While the Executive Director and the Board Members are authorized to sign checks, and thus are aware of payments being made, there is no documentation that invoices are approved for payment by an appropriate level of management.

Recommendation:

Invoices should be initialed and dated to reflect that they were reviewed by an appropriate level of management and are approved for payment.

Hospital Service District No. 1
West Monroe, Louisiana
Management Letter
Page 2 of 2

Management's Corrective Action Plan:

Management has corrected internal controls in 2013 and will initial and approve invoices to reflect they have been reviewed by the appropriate level of management and approval for payment.

Steffy, Huffman, Royal, & Soriano

(A Professional Accounting Corporation)

June 14, 2013